

SENATE BILL 3777
By Henry

AN ACT to amend Tennessee Code Annotated,
Titles 5, 6 and 7 relative to the investment of
funds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 5-8-301, is amended by deleting the following language from subsection (b) "In order to provide a safe, temporary medium of investment of idle funds, the county legislative body, acting by resolution duly adopted or as otherwise provided in the charter of those counties that have adopted a charter form of government pursuant to chapter 1, part 2 of this title, shall authorize the investment of idle funds in any of the following:" and by substituting instead the following language:

In order to provide a safe temporary medium for investment of idle funds, counties are authorized to invest in the investment instruments noted in this section or as otherwise provided in the charter of those counties that have adopted a charter form of government pursuant to chapter 1, part 2 of this title. Any investments made pursuant to subdivisions (b)(3), (b)(5) and (b)(6) must either be approved by the county legislative body, be in compliance with an investment policy adopted by the county legislative body, or approved by an investment committee established pursuant to 5-8-302. Counties are authorized to invest idle funds in any of the following:

SECTION 2. Tennessee Code Annotated, Section 5-8-301(b)(6) is amended by deleting the subdivision in its entirety and by substituting instead the following:

(b)(6) Nonconvertible debt securities of the following federal government sponsored enterprises which are chartered by the United States Congress; provided, that

such securities are rated in the highest category by at least two (2) nationally recognized rating services:

- (A) The federal home loan bank;
- (B) The federal national mortgage association;
- (C) The federal farm credit bank;
- (D) The federal home loan mortgage corporation;
- (E) Any other obligations that are guaranteed as to principal and interest

by the United States or any of its agencies: and

SECTION 3. Tennessee Code Annotated, Section 5-8-302(a) is amended by deleting the subsection in its entirety and substituting the following:

(a) For the purpose of carrying out the provisions of 5-8-301, the county legislative body of the several counties may appoint a committee with authority to designate the types of investments, the amounts of those investments and the maturity of those investments.

SECTION 4. Tennessee Code Annotated, Section 5-8-303 by deleting the section in its entirety.

SECTION 5. Tennessee Code Annotated, Section 6-56-106(a)(2) is amended by deleting the language "Nonconvertible debt securities of the following issues;" and by substituting instead the language "Nonconvertible debt securities of the following federal government sponsored enterprise which are chartered by the United State Congress;" and by deleting subsection (D) and substituting the following:

- (D) The federal home loan mortgage corporation;

SECTION 6. Tennessee Code Annotated, Section 6-56-106 is amended by deleting subdivision (a)(6) in it entirety, renumbering accordingly and by adding the following as new appropriately designed subdivision at the end of subsection (a):

() Investment in the instruments set forth in subdivision (a)(2), (a)(5), (a)(7), or any type of investment authorized pursuant to a municipality's charter which is of a type that is not included in this part shall require the following:

(A) The municipality's legislative body must authorize the investment by ordinance; and

(B) The legislative body must adopt a written enforceable investment policy by ordinance to govern the use of investments, with such policies being no less restrictive than those established by the state funding board to govern state investments in these types of instruments.

Investment in instruments covered by this subdivision shall be prohibited until the legislative body has adopted written policies to govern the use of such investments or an ordinance has been passed to authorize the investment.

SECTION 7. Tennessee Code Annotated, Section 6-56-106 amended by deleting the language "and in money market funds" in subsection (b).

SECTION 8. Tennessee Code Annotated, Section 7-82-108(a), is amended by deleting such subsection in its entirety and by substituting instead the following:

(a) In order to provide a safe temporary medium for investment of idle funds, utility districts are authorized to invest in the following:

(1) Bonds, notes, or treasury bills of the United States;

(2) Nonconvertible debt securities of the following federal government sponsored enterprises; provided, that such securities are rated in the highest category by at least two (2) nationally recognized rating services:

(A) The federal home loan bank;

(B) The federal national mortgage association;

(C) The federal farm credit bank; and

(D) The federal home loan mortgage corporation;

(3) Any other obligations not listed in subdivisions (a)(1) and (2) that are guaranteed as to principal and interest by the United States or any of its agencies;

(4) Certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. All investments made pursuant to

this subdivision (a)(4) shall be secured in the manner set forth in § 9-1-107 or title 9, chapter 4, parts 1 and 4;

(5) Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself, if the market value of the security itself is more than the amount of funds invested; provided, that utility districts may invest in repurchase agreements only if the state director of local finance approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board;

(6) The investments listed in subdivisions (a)(1)-(a)(4), may have a maturity of not greater than four (4) years from the date of investment; however, such investments may have a maturity of greater than four (4) years from the date of investment if such maturity is approved by the state director of local finance;

(7) The local government investment pool created by title 9, chapter 4, part 7; and

(8) Invest in the instruments set forth in subdivision (a)(2) or (a)(5) shall require the following:

(A) The utility district's governing board must authorize the investment; and

(B) The utility district's governing board must adopt a written investment policy to govern the use of investments, with such policies being no less restrictive than those established by the state funding board to govern state investments in these types of instruments.

Investment in instruments covered by this subdivision shall be prohibited until the utility district's governing board has adopted written policies to govern the use of such investments or has voted to authorize the investment.

SECTION 9. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end, the provisions of this act are declared severable.

SECTION 10. This act shall take effect upon becoming a law, the public welfare requiring it.